AUDITING PROCEDURES REPORT

Local Government Type Local Government Name		
City ☐ Township ☑ Village ☐ Other ☐ ULLAGE OF TWIN		County ARENAC
Audit Date 3-38-03 Opinion Date 3-04 Date Accountant Repo	rt Submitted to State:	IRENTE
We have audited the financial statements of this local unit of government are repared in accordance with the Statements of the Governmental Account reporting Format for Financial Statements for Counties and Local Units repartment of Treasury.	nd rendered an opinion	MOD) === 1 (1, 11 tr
/e affirm that:		RECEIVE
. We have complied with the Bulletin for the Audits of Local Units of Gover	nment in Michigan as re	DEPT. OF TREASU
. We are certified public accountants registered to practice in Michigan.		SEP 2 3 200
e further affirm the following. "Yes" responses have been disclosed in the fe report of comments and recommendations	inancial statements, inc	9 Sinanaparan Bandar
u must check the applicable box for each item below.		
yes 📝 no 1. Certain component units/funds/agencies of the local un	it are excluded from the	financial statements
yes no 2. There are accumulated deficits in one or more of t earnings (P.A. 275 of 1980).		
yes no 3. There are instances of non-compliance with the Uniform 1968, as amended). SEE PG 33, 34, 3	orm Accounting and Bu	dgeting Act (P.A. 2
yes no 4. The local unit has violated the conditions of either an or or its requirements, or an order issued under the Emerg	order issued under the	Municipal Einanas A
yes no 5. The local unit holds deposits/investments which do not of 1943, as amended [MCL 129.91], or P.A. 55 of 1982,	comply with statutory ras amended [MCL 38.1	requirements. (P.A. 2 1132]).
yes no 6. The local unit has been delinquent in distributing tax revunit.	venues that were collec	ted for another taxin
yes no 7. The local unit has violated the Constitutional requireme earned pension benefits (normal costs) in the current ye the overfunding credits are more than the normal cost during the year).	ar if the plan is more #	on 1000/ firedad
ves no 8. The local unit uses credit cards and has not adopted an 1995 (MCL 129.241).	applicable policy as re	quired by P.A. 266 o
ves \square no 9. The local unit has not adopted an investment policy as respectively.	equired by P.A. 196 of 1	997 (MCL 129.95).
have enclosed the following:	Enclosed Forward	Not Required
letter of comments and recommendations.		, roquieu
orts on individual federal financial assistance programs (program audits).		
le Audit Reports (ASLGU).		V
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puntant Signature City SA6 City SA6	State State	ZIP//S/A-

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INDEPENDENT AUDITORS' REPORT

Members of the Village Council Village of Twining Twining, Michigan

We have audited the accompanying general purpose financial statements of the Village of Twining as of and for the year ended February 28, 2003, as listed in the table of contents. These financial statements are the responsibility of the Village of Twining's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with U.S. generally accepted accounting principles. The cost value of the Village's general fixed asset account group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Twining and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 22, 2004 on our consideration of the Village of Twining's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supplemental financial information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Twining. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

July 22, 2004

Botthiaum & Co

GENERAL PURPOSE FINANCIAL STATEMENTS

ALL FUND TYPES AND ACCOUNT GROUPS

COMBINED BALANCE SHEET

February 28, 2003

		GOVERN FUND General		P.	ROPRIETARY FUND TYPE Enterprise	,	FIDUCIARY FUND TYPES Trust & Agency	 ACCOUNT GROUP General Long-Term	(M	Totals emorandum)
		Fund	Revenue		Fund		Fund	Debt	(272	Only)
ASSETS:										
Cash and equivalents	\$	4,796	\$ 21,855	\$	1,583	\$	28,400	\$ -	\$	56,634
Taxes receivable		3,656	-		· -		´ -	-		3,656
Accounts receivable		2,718	-		3,324		-	-		6,042
Special assessments receivable	e	•	-		103,360		_	_		103,360
Due from other governmental	unit	s 4,208	12,669		•		-	-		16,877
Due from other funds		95,538	10,230		-		-	-		105,768
Restricted assets		-	-		3,833		-	-		3,833
Property, plant, and equipment, n	et	-	-		778,098		_	-		778,098
Amount to be provided for										
retirement of long-term debt	t	-	-		-		-	33,912		33,912
Total assets	\$	110,916	\$ 44,754	\$	890,198	\$	28,400	\$ 33,912	\$	1,108,180
LIABILITIES AND FUND EQUITY:										
Liabilities:										
Accounts payable	\$	600	\$ 2,793	\$	6,085	\$	-	\$ -	\$	9,478
Accrued expense		-	-		8,939		-	-		8,939
Due to other governmental										
units		2,998	2,489		4,489		-	-		9,976
Due to other funds		-	17,182		60,186		28,400	-		105,768
Loans payable					393,373					393,373
Installment purchase contract	cts									
payable			 		-		-	 33,912		33,912
Total liabilities		3,598	 22,464		473,072		28,400	 33,912		561,446
Fund Equity:										
Contributed capital		_	_		368,520		_	_		368,520
Retained Earnings:					000,020					200,220
Reserved		-	_		3,833		_	_		3,833
Unreserved - Undesignate	ed	_	-		44,773		_	_		44,773
Fund Balance:					,					,
Unreserved – Undesignate	ed	107,318	22,290		-		-	-		129,608
Total fund equity		107,318	22,290		417,126		-	-		546,734
Total liabilities and										
fund equity	\$	110,916	\$ 44,754	\$	890,198	\$	28,400	\$ 33,912	\$	1,108,180

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended February 28, 2003

		GOVERNMENTAL FUND TYPES				Totals
	-	General			(Men	orandum Only)
REVENUES:						
Property taxes	\$	30,210	\$	-	\$	30,210
Intergovernmental:		24,542		908		25,450
State grants Contributions from local units		27,572		20,562		20,562
Charges for services		7,773		1,000		8,773
Fines and forfeitures		500		· -		500
Interest and rentals		6,401		142		6,543
Other revenue		7,744		146		7,890
Total revenues		77,170		22,758	±#=:	99,928
EXPENDITURES:						
General government		6,731		•		6,731
Public safety		-		22,887		22,887
Public works		11,323		5,919		17,242
Community and economic development		192		-		192
Other		6,562				6,169
Capital outlay		13,534		2,652		16,186
Debt Service:		1 1 40		(552		6,552
Principal		1,140		6,552 1,906		1,906
Interest						
Total expenditures		39,482		39,916		77,865
Excess of revenues over (under) expenditures	<u></u>	37,688		(17,158)		22,063
OTHER FINANCING SOURCES (USES):						
Installment purchase debt proceeds		4,082		-		4,082
Transfer from other funds		· -		9,797		9,797
Transfer to other funds		(19,397)		-		(19,397)
Total other financing sources (uses)		(15,315)		9,797		(5,518)
Excess of revenues and other sources over (under) expenditures and other financing sources (uses)		22,373		(7,361)		16,545
Fund balances, beginning of year		84,945		29,651		114,596
Fund balances, end of year	\$	107,318	\$	22,290	\$	131,141

GENERAL AND SPECIAL REVENUE FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

For the Year Ended February 28, 2003

		G	EN	ERAL FU	'ND)	S	PECIA	4LI	<u>REVENUE</u>	<i>FUI</i>	VDS
		Budget		Actual	I	Variance Favorable Infavorable)	Виа	lget		Actual (Ur	Fav	riance orable orable)
REVENUES:										-	-	
Taxes	\$	28,250	\$	30,210	\$	1,960	\$	-	\$		\$	-
Intergovernmental: State grants Contributions from local units		24,000		24,542		542	1:	900 8,772		908 20,562		8 1,790
Charges for services Fines and forfeitures		7,500		7,773 500		273 500		1,000		1,000		-
Interest and rentals Other revenue		5,000		6,401 7,744		1,401 7,744		-		142 146		142 146
Total revenues		64,750		77,170		12,420	20),672		22,758		2,086
EXPENDITURES:												
General government		6,750		6,731		19		-		-		-
Public safety		11 250		11 222		-),475		22,887		(2,412)
Public works Community and economic development		11,350 200		11,323 192		27 8	,	9,930		5,919		4,011
Other		6,593		6,562		31		_		_		-
Capital outlay Debt Service:		10,189		13,534		(3,345)	2	2,000		2,652		(652)
Principal Interest		1,140		1,140		-		5,552 1,970		6,552 1,906		64
Total expenditures		36,222		39,482		(3,260)	4(),927		39,916		1,011
Excess of revenues over (under)				0 77 (000		0.160	(0)			(15, 150)		4 007
expenditures		28,528		37,688		9,160	(20),255)		(17,158)		3,097
OTHER FINANCING SOURCES (USES):												
Installment purchase debt proceeds Transfer from other funds		4,082		4,082		-	ç	- 9,797		- 9,797		-
Transfer to other funds		(9,600)		(19,397))	(9,797)		-		-		
Total other financing sources (uses)	(5,518)		(15,315)		(9,797)	9	,797		9,797		
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)		23,010		22,373		(637)	(10),458)		(7,361)		3,097
				-		(037)	,					2,071
Fund balances, beginning of year	_	84,945	<u>_</u>	84,945		((27)		,651	ď	29,651	•	2 007
Fund balances, end of year	\$	107,955	\$	107,318	\$	(637)	3 15	,193	\$	22,290	\$	3,097

PROPRIETARY FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

For the Year Ended February 28, 2003

	Enterprise Fund
OPERATING REVENUES:	
Charges for services	\$ 26,368
Total operating revenues	26,368
OPERATING EXPENSES:	
Personnel	6,607
Fringe benefits	505
Contracted and professional services	9,445 86
Mileage/auto	150
Dues and memberships Repair and maintenance	7,711
Insurance	1,879
Utilities	1,595
Equipment rental	4,370
Depreciation	21,030
Total operating expenses	53,378
Net operating income (loss)	(27,010)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	26
Interest expense	(23,151)
Interest on special assessments	7,082
Total non-operating revenues (expenses)	(16,043)
Net income (loss) before operating transfers	(43,053)
OPERATING TRANSFERS:	
Transfer from other funds	9,600
Total operating transfers	9,600
Net income (loss)	(33,453)
Add: Depreciation on fixed assets acquired with contributed capital	9,960
Increase (decrease) in retained earnings	(23,493)
Retained earnings, beginning of year	72,099
Retained earnings, end of year	\$ 48,606

PROPRIETARY FUND TYPES

STATEMENT OF CASH FLOWS

For the Year Ended February 28, 2003

	E	Interprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$	27,978
Cash payments to employees for services and benefits		(7,268)
Cash payments to suppliers for goods and services		(17,881)
Net cash provided by (used for) operating activities		2,829
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Increase in due to other funds		12,322
Operating transfers in		9,600
Net cash provided by (used for) non-capital financing activities		21,922
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Special assessments receivable collections		6,449
Interest on special assessments		7,082
Principal payments		(14,000)
Interest on debt		(23,431)
Net cash provided by (used for) capital and related financing activities		(23,900)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash equivalents		26
Net cash provided by (used for) investing activities		26
Net increase (decrease) in cash and cash equivalents		877
Cash and cash equivalents, beginning of year		4,539
Cash and cash equivalents, end of year	\$	5,416
Proceedings of Commentions In comments New Confe Proceedings of the Commentation of the Conference of		
Reconciliation of Operating Income to Net Cash Provided by Operating Activities: Operating income (loss)	\$	(27,010)
Operating medite (1033)	Ψ	(27,010)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation expense		21,030
Increase in accounts receivable		1610 5,937
Increase in accounts payable Increase in accrued liabilities		(156)
Decrease in due to State		1,418
Net cash provided by operating activities	\$	2,829
rect easil provided by operating activities	Ψ	2,027

NOTES TO FINANCIAL STATEMENTS

February 28, 2003

NOTE 1: DESCRIPTION OF VILLAGE OPERATIONS AND FUND TYPES

Village of Twining is located in Arenac County and provides services to approximately 169 residents in many areas including public safety, highways and streets, general administrative services, and community enrichment and development. The Village is a home rule village incorporated under *Public Act 278 of 1909*. The Village is governed by a five member council elected by the citizens and the president of the Village, all of whom reside in the community.

REPORTING ENTITY:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Council (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the Village (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. Accordingly, there are no other governmental organizations required to be included in the financial statements of the Village.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION:

The accounts of the Village are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Village are recorded in separate funds and accounting groups, categorized as follows:

GOVERNMENTAL FUNDS:

General Fund: This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, state revenue sharing distributions, and permits to provide for the administration and operation of: (1) general Village governmental departments; (2) public works; and (3) public safety. The fund includes the general operating expenditures of the local unit.

Special Revenue Funds: These funds are used to account for specific revenue (other than expendable trusts or major capital projects) derived from State and Federal grants, general fund appropriations, and charges for services which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

February 28, 2003

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

PROPRIETARY FUNDS:

Enterprise Funds: These funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Sewer Fund is the only enterprise fund of the Village.

FIDUCIARY FUNDS:

Trust and Agency Funds: Trust and agency funds are used to account for the assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. The Current Tax Collection Fund is the only agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations.

ACCOUNT GROUPS:

General Long-Term Debt Account Group: This account group presents the balance of general obligation long-term debt which is not recorded in proprietary or trust funds.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

GOVERNMENTAL FUNDS:

Village governmental funds (general and special revenue funds) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when due.

PROPRIETARY FUNDS:

The proprietary fund type (sewer fund) is accounted for on a cost-of-service or "capital maintenance" measurement focus, using the accrual basis of accounting. Revenues are recorded when they are measurable and earned, and expenditures are recorded when the related liability is incurred. The government applies all applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in accounting and reporting for its proprietary operations. The Sewer Fund (enterprise fund) is the only proprietary fund type.

February 28, 2003

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

FIDUCIARY FUNDS:

The fiduciary funds are maintained on a cash basis, which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles. The Current Tax Collection Fund is the only agency fund.

CASH, CASH EQUIVALENTS AND INVESTMENTS:

For purposes of the statement of cash flows, demand deposits and certificates of deposits with a maturity of three months or less, when acquired, are considered to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Investments, if any, are stated at fair value. The Village, currently, has no investments.

PROPERTY TAXES:

The Village's 2002 ad valorem tax is levied and collectible on July 1, 2002. It is the Village's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing of the Village operations. Property taxes are recognized when levied since the county purchases the delinquent taxes each year.

The 2002 property tax levy was based on a taxable assessed valuation of \$2,152,183. The 2002 Village tax rate was 14.1685 mills for general operations.

Any uncollected real property taxes, which become delinquent March 1st, are purchased by Arenac County and paid to the Village by June 1st of each year.

SEWER SPECIAL ASSESSMENTS RECEIVABLE:

A special assessment was assessed to each applicable parcel in the Village for the construction of a sewer system within the Village limits. The assessment is used to pay the sewer debt. The special assessment receivable at February 28, 2003 was \$103,360. There is also an interest charge that accrues at a rate of 7% on the unpaid balance of the remaining assessment. Collections for special assessments and interest on the special assessments have been reported as a reduction to the sewer assessment receivable and interest earned on special assessment.

FIXED ASSETS AND DEPRECIATION:

Fixed assets are stated at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Public domain, infrastructure assets, including roads, bridges, sanitary sewers, drains, curbs and gutters are not capitalized. The Village of Twining has not maintained records of general fixed assets for its governmental funds as required by generally accepted accounting principles. Fixed asset purchases of the Village's governmental funds are recorded as capital outlay expenditures at the time of purchase.

February 28, 2003

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

FIXED ASSETS AND DEPRECIATION, continued:

The Sewer Fund's (enterprise fund) fixed assets are stated at cost at the date of purchase or fair market value if assets were donated. Costs relating to maintenance and repairs are charged to expenses, whereas those for renewals and betterments, when significant in amount, are capitalized. The sewer system assets are depreciated using the straight-line method. The estimated useful life of the sewer system is 50 years. For the fiscal year ended February 28, 2003, the depreciation expense was \$21,030.

OTHER FINANCING SOURCES (USES):

The transfers of cash between the various Village funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus. This means that generally only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

TOTAL COLUMN ON COMBINED STATEMENTS - OVERVIEW:

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

February 28, 2003

NOTE 3: LEGAL COMPLIANCE

BUDGETS AND BUDGETARY ACCOUNTING:

The annual budget is prepared by the Village Clerk and adopted by the Village Council at the annual public hearing. All subsequent amendments to the budget are approved by the Village Council. The expenditures for the general fund and special revenue funds are under formal budgetary control. Revenues and beginning and ending fund balances have not been included in the budget as required by *Public Act 621 of 1978*. The budget for the expenditures is prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles.

Unfavorable expenditure budget variances are as follows:

	Budget		 Actual	Unfavorable Variance	
General Fund: Capital Outlay Transfers Out	\$	10,189 9,600	\$ 13,534 19,397	\$	3,345 9,797
Special Revenue Funds: Public safety Capital Outlay		20,475 2,000	22,887 2,652		2,412 652

UNDER ASSESSMENT OF LEVIES FOR RETIREMENT OF SEWER DEBT:

Special assessments collections plus an annual \$9,600 transfer from the General Fund are to be used to make the annual sewer debt payment. Currently these revenues are insufficient to fully cover the debt payments. As a result, other operating revenues are being used to pay part of the annual debt service payment. Sources for future funding of the shortfall are unknown.

NONCOMPLIANCE WITH THE UNIFORM CHART OF ACCOUNTS:

The Village has failed to establish and maintain the Uniform Chart of Accounts in a formal accounting system in accordance with *Public Act 2 of 1968*. The classification of accounts for Michigan local units of government has been developed by the Michigan Department of Treasury, Local Audit and Finance Division under the authority of *Public Act 2 of 1968*, as amended, and *Public Act 71 of 1919*, as amended.

NONCOMPLIANCE WITH THE INVESTMENT POLICY:

The Village has failed to adopt an investment policy in accordance with *Public Act 20 of 1943*, as amended (MCL 129.95).

February 28, 2003

NOTE 3: LEGAL COMPLIANCE, continued

NONCOMPLIANCE WITH STATE SCHEDULE C RENTAL RATES:

The Village has used some equipment rental rates that were higher than the rates approved by Schedule C.

NONCOMPLIANCE WITH PAYROLL TAX REPORTING REQUIREMENTS:

Payroll paid has not been agreed to forms 941 and W-2 submitted to the IRS.

ACCUMULATED FUND DEFICITS:

The following fund of the Village had an accumulated fund balance deficit at February 28, 2003:

Fund	 Deficit)
Special Revenue Fund:	
Local Street	\$ (3,345)

Public Act 275 of 1980 (MCL 141.921) requires that the Village file a deficit elimination plan to the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. The Village has not filed the required plan.

NOTE 4: BALANCE SHEET CASH AND INVESTMENTS

Michigan Compiled Laws (MCL), Section 129.91, authorizes the local unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banks' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposits of public funds must maintain an office in Michigan.

Deposits are carried at cost. Deposits for the Village are at one bank in the name of the Village treasurer. The Village does not invest funds and has not adopted an investment policy in accordance with *Public Act 196 of 1997*. The Village's deposits are in accordance with statutory authority.

February 28, 2003

NOTE 4: BALANCE SHEET CASH AND INVESTMENTS, continued

The Governmental Accounting Standards Council (GASB) Statement No. 3, risk disclosures for the Village's cash deposits are as follows:

	<u>GENERAL GOVERNMENT</u>						
Deposits	<i>C</i>		Bank Balance				
Insured (FDIC)	\$	60,467	\$	55,219			
Total Deposits	\$	60,467	\$	55,219			

As of February 28, 2003, the Village had \$ 3,833 in a separate account for the purpose of paying the sewer debt. The balance sheet shows the cash as restricted and the retained earnings as restricted.

NOTE 5: ENTERPRISE FUND FIXED ASSETS AND CONTRIBUTED CAPITAL

A summary of proprietary fund type (sewer) fixed assets at February 28, 2003 follows:

	-	Purchased with Village Funds		Purchased with Capital Grants		Total
Sewer System Less: Accumulated Depreciation	\$	553,488	\$	498,000	\$	1,051,488
Net Sewer System	<u></u>	(143,910) 409,578	\$	(129,480) 368,520	•	(273,390)
THE DEWEL DYSIGHT	<u> </u>	403,370	Þ	300,320	•	778,098

NOTES TO FINANCIAL STATEMENTS - continued

February 28, 2003

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable			
General	\$ 95,539	Major Street Local Street Fire Fund Fire Equipment Liquor Law Sewer Tax	\$ 1,222 6,218 4,637 2,609 267 52,186 28,400			
		Subtotal	95,539			
Major Street	7,000	Sewer Subtotal				
Local Streets	3,229	Major Street Sewer Subtotal	2,229 1,000 3,229			
Total	<u>\$ 105,768</u>	Subtotal	\$ 105,768			

NOTES TO FINANCIAL STATEMENTS, continued

February 28, 2003

NOTE 7: LONG-TERM DEBT

The individual fund long-term debt and other general long-term debt obligations of the Village, and the changes therein, may be summarized as follows:

Enterprise Fund Long-Term Debt:	Balance 3/1/02			Additions eductions)	Balance 2/28/03		
Sewer Fund:							
October 1989 Twining Sanitary Drain Contract Payable to Arenac County 6%	\$	397,000	\$	(14,000)	\$	383,000	
May 1992 Twining Sanitary Drain Supplemental Loan to Arenac County 6%		10,373				10,373	
Total Enterprise Fund Long-Term Debt	\$	407,373	\$	(14,000)	\$	393,373	
General Long-Term Debt Account Group:							
May 2002 Contract Payable 7.90% - Lawn mower	\$		\$	2,942	\$	2,942	
June 2001 Contract Payable 5.45% - Fire Truck		20,817		(5,554)		15,263	
June 1999 Contract Payable 4.87% – Tanker Truck		16,705		(999)		15,706	
Total General Long-Term Debt	\$	37,522	\$	(3,611)	\$	33,911	
Total Long-Term Debt Outstanding at February 28, 2003	\$	444,895	\$	(17,611)	\$	427,284	

February 28, 2003

NOTE 7: LONG-TERM DEBT, continued

The annual principal and interest requirements through maturity for all debt outstanding as of February 28, 2003 are as follows:

Contract Payable - Sewer Fund:

On October 9, 1989, the Twining Sanitary Drain Drainage District, County of Arenac, issued \$532,000 in bonds for the purpose of constructing the Twining Sanitary Drain. The Village of Twining has agreed to repay the bonds from the collection of special assessments and 6 mills of general fund tax revenues. The bonds bear interest at the rate of 6% per annum payable semi-annually beginning May 1, 1990. The following is a schedule of outstanding principal and interest on the bonds:

	Interest Due May 1	Interest Due November 1	Principal Due November I	Annual Payment			
2003	\$ 11,295	\$ 11,295	\$ 15,000	\$ 37,590			
2004	10,845	10,845	15,000	36,690			
2005	10,380	10,380	16,000	36,760			
2006	9,885	9,885	17,000	36,770			
2007	9,360	9,360	18,000	36,720			
2008	8,790	8,790	20,000	37,580			
2009	8,190	8,190	20,000	36,380			
2010	7,560	7,560	22,000	37,120			
2011	6,885	6,885	23,000	36,770			
2012	6,180	6,180	24,000	36,360			
2013	5,430	5,430	26,000	36,860			
2014	4,635	4,635	27,000	36,270			
2015	3,795	3,795	29,000	36,590			
2016	2,895	2,895	31,000	36,790			
2017	1,980	1,980	30,000	33,960			
2018	1,065	1,065	31,000	33,130			
2019	300	300	19,000	19,600			
Total	\$ 109,470	\$ 109,470	\$ 383,000	\$ 601,940			

February 28, 2003

NOTE 7: LONG-TERM DEBT, continued

Loan Payable - Sewer Fund:

On May 18, 1992, the Twining Sanitary Drain Drainage District obtained a loan from the County of Arenac in the amount of \$30,000. The Village of Twining has agreed to repay the loan in seven annual payments beginning October 1, 1992 with interest at the rate of 6% per annum. As of February 28, 2003, \$10,373 of the loan principal remained outstanding (past due) as follows:

	P	nterest mount	Annual Total		
1997	\$	4,873	\$ _	\$	4,873
1998		5,500	-		5,500
1999		_	593		593
2000		-	686		686
Total	\$	10,373	\$ 1,279	\$	11,652

Installment Purchase Contract – Fire Truck:

On May 8, 1995, the Village obtained a loan from the State Bank of Standish in the amount of \$50,000 for the remaining portion owed on a fire truck after a down payment of \$16,300. Eleven semi-annual payments with an interest rate of 6.35% per annum began October 10, 1995. On June 21, 2001, this loan was refinanced through Citizens Bank for \$23,484. The new loan calls for eight payments of \$3,307 with an interest rate of 5.45% per annum beginning on December 21, 2001. As of February 28, 2003, \$20,817 of the principal remained outstanding as follows:

	P 	iterest mount	Annual Total		
2003	\$	5,860	\$ 753	\$	6,613
2004		6,184	429		6,613
2005		3,219	 88		3,307
Total	\$	15,263	\$ 1,270	\$	16,533

February 28, 2003

NOTE 7: LONG-TERM DEBT, continued

Installment Purchase Contract – Fire Truck:

On June 17, 1999, the Village of Twining obtained a loan from Citizens Bank. The loan is for the purchase of a 1975 AMC Tanker Truck in the amount of \$32,000 with a down payment of \$13,000 and the balance to be financed for a term not exceeding 15 years at a fixed rate of interest of 4.86% with semi-annual payments of \$899.93.

Fiscal Year Ended	Pri	Inte	erest Due	Annual Payment		
2004	\$	1,048	\$	752	\$	1,800
2005		1,099		701	•	1,800
2006		1,154		646		1,800
2007		1,210		590		1,800
2008		1,270		530		1,800
2009		1,333		467		1,800
2010		1,398		402		1,800
2011		1,467		333		1,800
2012		1,539		261		1,800
2013		1,615		185		1,800
2014		1,695		105		1,800
2015		878		22		900
Total	\$	15,706	\$	4,994	\$	20,700

Installment Purchase Contract - Lawn mower:

On May 22, 2002, the Village of Twining entered into as installment purchase contract. The contract is for the purchase of a lawn mower in the amount of \$4,082 with a down payment of \$1,140 and the balance to be financed for a term of 3 years at a fixed rate of interest of 7.90% with annual payments of \$1,139.75.

Fiscal Year Ended	Prin	cipal Due	Inter	est Due	Annual Payment		
2004	\$	899	\$	241	\$	1,140	
2005		972		168		1,140	
2006		1,071		69		1,140	
Total	\$	2,942	\$	478	\$	3,420	

February 28, 2003

NOTE 8: RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Village has purchased commercial insurance to cover general liability, non-owned/hired automobile liability, errors and omissions, property damage, and inland marine. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9: TRANSFERS IN/TRANSFERS (OUT)

The 2003 operating transfers for all funds are summarized as follows:

Fund	Transfers In	Fund	Transfers (Out)				
Sewer Fund Fire Fund Total	\$ 9,600 <u>9,797</u> \$ 19,397	General Fund General Fund	\$ 9,600 <u>9,797</u> \$ 19,397				

NOTE 10: POST-EMPLOYMENT BENEFITS

The Village does not provide post-employment benefits.

NOTE 11: GOING CONCERN

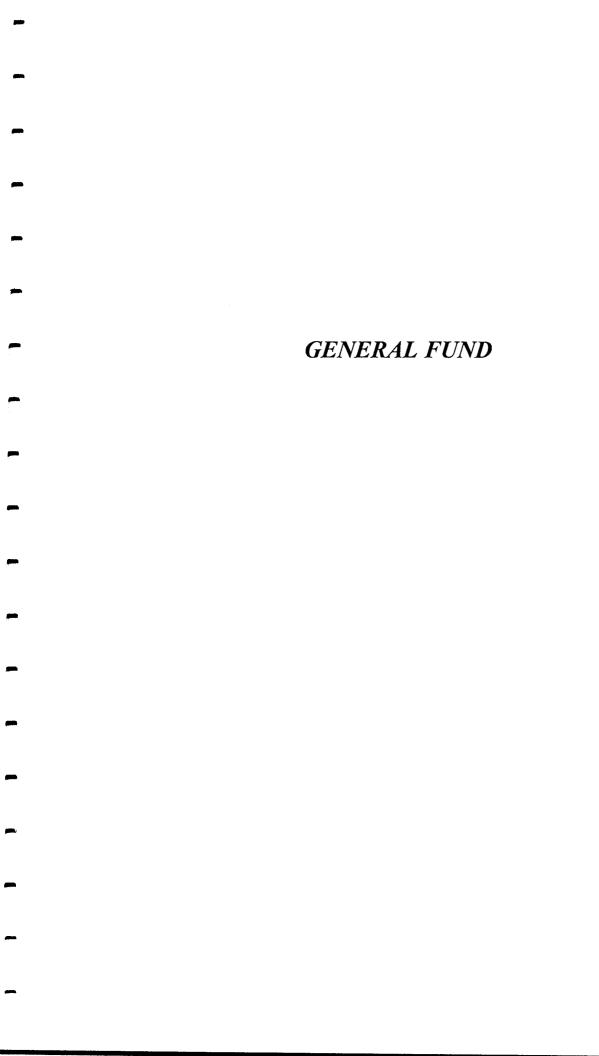
Untimely billings for services rendered, insufficient sewer assessments, and an inability to meet debt requirements has created a going concern issue. Management plans to seek additional grants from the State of Michigan to assist in the payment of the debt.

NOTE 13: ACT 51 REVENUES

As of February 28, 2003 the Village has nineteen (19) months of *State Act 51* revenues receivable from the State Department of Transportation. The State is holding up distribution of the monies until the filing of the annual *Act 51* report is completed by the Village.

The Village will receive approximately \$30,300 of *Act 51* monies for the Major Street Fund and \$8,200 for the Local Street Fund once the funds are released by the State. These amounts have not been recognized as receivables as of February 28, 2003.

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	SUPPLEMENTAL INFORMATION
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GENERAL FUND

STATEMENT OF REVENUES AND OTHER FINANCING SOURCES

For the Year Ended February 28, 2003

REVENUES:	
Current Taxes: Property taxes Property tax administration fee	\$ 29,945 265
State Grants:	30,210
State revenue sharing	24,542
	24,542
Charges for Services:	
Refuse collection fees	7,773
	7,773
Fines and Forfeitures: Ordinance fines – mowing	500
C	500
Interest and Rents:	
Interest earned	144
Rents	6,257
Other Revenue:	6,401
Sale of assets	1,740
Reimbursements	3,762
Refunds and Rebates	2,242
	7,744
Total revenues	77,170
OTHER FINANCING SOURCES:	
Proceeds from installment purchase contract	4,082
Total other financing sources	4,082
Total revenues and other financing sources	\$ 81,252

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES

For the Year Ended February 28, 2003

EXPENDITURES:

General Government:

Council:	
Personnel	\$ 1,160
Supplies	138
Contracted services	40
Dues and memberships	231
Printing and publications	285
Other	254
	2,108
Clerk: Personnel	000
Supplies	900
Supplies	27
	927
Treasurer:	
Personnel	900
Supplies	277
	1,177
Elections:	
Contracted services	328
Printing and publications	322
	650
Building and Grounds:	
Personnel	742
Supplies	157
Contracted services	323
Water hydrants	212
Repairs and maintenance	435
•	1,869
T 4.1	
Total general government	6,731

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended February 28, 2003

EXPENDITURES, continued Public Works: Department of Public Works: **Supplies** 407 Repairs and maintenance 2,080 2,487 Drains: Contracted services 646 646 Street Lighting: Utilities 5,232 5,232 Refuse: Contracted services 2,958 2,958 Total public works 11,323 Community and Economic Development: Economic and Industrial Development: Contracted services 192 192 Total community and economic development 192 Other: Insurance and Bonds: Insurance 6,169 6,169 Payroll Taxes: Fringe benefits 393 393 Total other 6,562

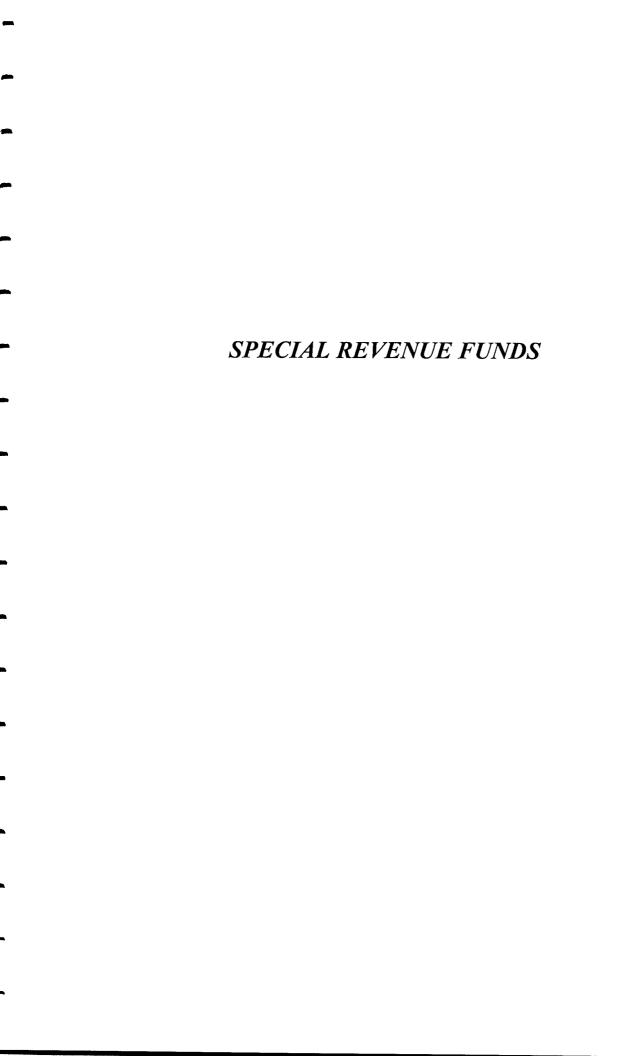
GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended February 28, 2003

EXPENDITURES, continued

Capital Outlay:	
Department of Public Works:	
Buildings and grounds	7,452
	7,452
Pubic Works:	
Department of Public Works	6,082
	6,082
Total capital outlay	13,534
Debt Service:	
Principal	1,140
	1,140
Total expenditures	39,482
OTHER FINANCING USES:	
Transfers to other funds	19,397
Total other financing uses	19,397
Total expenditures and other financing uses	\$ 58,879



SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

February 28, 2003

_	Major Streets Fund	Local Streets Fund	 Fire Fund	E	Fire Equipment	quor Law forcement	CDBG Housing	 Total
ASSETS:								
Cash and equivalents Due from other	\$ 9,676	\$ 441	\$ 126	\$,	\$ 890	\$ 7,764	\$ 21,855
governmental units	-	-	8,269		4,400	-	-	12,669
Due from other funds	 7,000	 3,230	 <u> </u>		<u>-</u>	 <u> </u>	 	10,230
Total assets	\$ 16,676	\$ 3,671	\$ 8,395	\$	7,358	\$ 890	\$ 7,764	\$ 44,754
LIABILITIES AND FUND EQUITY: Liabilities: Accounts payable Due to other governmental units Due to other funds Total liabilities	\$ 1,197 3,451 4,648	\$ 798 6,218 7,016	\$ 2,793 150 4,637 7,580	\$	- 2,609 2,609	\$ 344 267 611	\$ 	\$ 2,793 2,489 17,182 22,464
Fund Equity: Fund Balance: Unreserved – Undesignated	12,028	(3,345)	815		4,749	279	7,764	22,290
Total fund equity	12,028	 (3,345)	815		4,749	 279	 7,764	 22,290
Total liabilities and fund equity	\$ 16,676	\$ 3,671	\$ 8,395	\$	7,358	\$ 890	\$ 7,764	\$ 44,754

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended February 28, 2003

_		Major Streets Fund		Local Streets Fund		Fire Fund		Fire Equipment		Liquor Law Enforcement		CDBG Housing		Total
REVENUES:														
Intergovernmental: State grants Contributions from	\$	-	\$	-	\$	-	\$	-	\$	908	\$	-	\$	908
Townships		-		-		11,762		8,800		-		-		20,562
Charges for services – fire runs		_		_		1,000				_		, -		1,000
Interest and rentals		55		6		-		76		5		-		142
Other revenue		_		<u>-</u>		-		-		_		146		146
Total revenue		55		6		12,762		8,876		913		146		22,758
EXPENDITURES														
Public safety		_		-		21,871		_		1,016		_		22,887
Public works		3,273		2,646		-		-		-		-		5,919
Capital outlay Debt Service:		-		-		2,652		-		-		-		2,652
Principal		_		_		_		6,552		_		_		6,552
Interest		-		_		_		1,906				-		1,906
Total expenditures	_	3,273		2,646		24,523		8,458		1,016		-		39,916
Excess of revenues over (under) expenditures		(3,218)		(2,640)		(11,761)	····	418		(103)		146		(17,158)
OTHER FINANCING SOURCES (USES):														
Transfer from other funds						9,797		-		-		-		9,797
Total other financing						9,797	-							0.707
sources (uses)		-		-		9,797		-				-		9,797
Excess of revenues and other financing sources over (under) expenditures and other financing														
sources (uses)		(3,218)		(2,640)		(1,964)		418		(103)		146		(7,361)
Fund Balances, beginning of year		15,246		(705)		2,779		4,331		382		7,618		29,651
Fund Balances, end of year	\$	12,028	\$	(3,345)	\$	815	\$	4,749	\$	279	\$	7,764	\$	22,290

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended February 28, 2003

	Balance 2/28/02		Additions		De	eductions	Balance 2/28/03	
TAX COLLECTION FUND								
ASSETS:								
Cash Due from other funds	\$	27,764 4,032	\$	28,400	\$	27,764 4,032	\$	28,400
Total assets	\$	31,796	\$	28,400	\$	31,796	\$	28,400
LIABILITIES:								
Due to general fund	\$	31,796	\$	28,400	\$	31,796	\$	28,400
Total liabilities	\$	31,796	\$	28,400	\$	31,796	\$	28,400



60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

July 22, 2004

Members of the Village Council Village of Twining Twining, Michigan

RE: Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the General Purpose Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of the Village of Twining as of and for the year ended February 28, 2003, and have issued our report thereon dated July 22, 2004. The financial statements referred to above do not include the general fixed asset account group which should be included in order to conform to U.S. generally accepted accounting principles. The cost value of the Village's general fixed asset account group is not known. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits as contained in the Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance – As part of obtaining reasonable assurance about whether the Village of Twining's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting — In planning and performing our audit, we considered the Village of Twining's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Twining's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Three reportable conditions are fully described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. We noted matters involving the internal control system and its operation that we consider to

RE: Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the General Purpose Financial Statements Performed in Accordance with Government Auditing Standards – Page 2

be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the Village of Twining for the year ended February 28, 2003. These material weaknesses are more fully described in the Schedule of Findings and Questioned Costs section of this audit report.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Berthiaume & Company

Besthiaume of Co

Saginaw, MI

July 22, 2004



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended February 28, 2003

I. SUMMARY OF AUDIT RESULTS

- 1. The auditors' report expresses a qualified opinion because of the lack of a General Fixed Asset Group of Accounts being presented in the General Purpose Financial Statements.
- 2. Reportable conditions were disclosed by the audit of the general purpose financial statements. These are material weaknesses.
- 3. Instances of noncompliance material to the general purpose financial statements are disclosed.
- 4. The Federal award program tested for compliance was the U.S. Department of Agriculture Water and Waste Disposal System for Rural Communities, CFDA No. 10.418.

II. FINDINGS - FINANCIAL STATEMENT AUDIT/INTERNAL CONTROL

1. Inadequate bookkeeping records/procedures:

Condition: The Village does not use or maintain a General Ledger. The Village

only uses a Cash Receipts Journal and a Cash Disbursements Journal.

These journals do not include all the transactions because of errors of omission. The journal activity is not reconciled to the bank cash account

balances each month.

There were no bank reconciliations prepared. The clerk's accounting records/journals were not reconciled to the treasurer's transactions/

balances of cash.

The State's Uniform Chart of Accounts is not used.

Criteria: Good internal control requires that these basic bookkeeping records/

procedures be done on a timely and consistent basis. State law requires

the use of these basic records and the Chart of Accounts.

Effect: Accurate financial reports cannot be produced in the proper format.

Recommendation: The clerk's journals need to be more accurately maintained. A General

Ledger and the Uniform Chart of Accounts should be used.

Accurate bank account balances must be maintained by both the clerk and treasurer. The two balances must be agreed at the end of each

month.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

For the Year Ended February 28, 2003

2. Budget:

Condition:

The budget for the year was approved in March 2002 – after the fiscal year started. The budget was amended during the year.

Criteria:

State law requires that the annual budget be adopted before the year starts. The law requires that actual expenditures cannot exceed the budget.

Effect:

Expenditures in excess of budgeted amounts could result in deficit fund balance situations and related financial difficulties.

Recommendation:

The Village should adopt an accurate budget before the year starts and maintain and amend the budget during the year.

3. Other Items:

Condition:

Various other items were noted as follows:

- A) The Sewer Special Assessments Receivable records are not being maintained accurately.
- B) Payroll paid was not fully/correctly reported on W-2's and 941 forms submitted to the IRS.
- C) Some equipment rental charges to the various funds (Major, Local, Sewer) were based on incorrect rental rates.
- D) Employee time and equipment usage time sheets do not indicate supervisor approval.

Criteria:

- A) The detail Special Assessment Receivable records need to be in agreement with a control balance so that all collections can be accounted for.
- B) Payroll transactions must be accurately reported to the IRS.
- C) Equipment rental rates are set forth in the State Schedule C publication. These rates represent the maximum amount that can be charged to the street funds for equipment usage.
- D) Time cards and related equipment use records should be approved by a supervisor.

Effect:

- A) The Special Assessments Receivable balance could be misstated.
- B) Incorrect payroll reports to the IRS could make the Village responsible for under withheld or under paid taxes.
- C) The State Department of Transportation could require the Village Major and Local Street Funds to be reimbursed for incorrect equipment rental charges.
- D) Employees could be paid, overpaid, or incorrectly paid. Equipment usage payments could be overpaid or incorrectly paid.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

For the Year Ended February 28, 2003

Recommendation:

- A) Special Assessment Receivable records should be more carefully maintained.
- B) Payroll paid must be reconciled to accurate reports/forms submitted to the IRS.
- C) The correct equipment rental rates need to be used per the State's approved Schedule C rates.
- D) Time cards and equipment usage records should be approved by a supervisor.

III. FINDINGS - FINANCIAL STATEMENT AUDIT/COMPLIANCE

1. USDA Federal Loan Agreement Requirements:

Condition: The Village did not submit financial information to the USDA as

required.

Criteria: Accounting to the USDA loan agreement, the Village is required to

submit financial information, on an annual basis, to the USDA including a budget, the sewer rate schedule, a list of officials, and a copy of the

audited financial statements.

Effect: The violation of Federal requirements could result in various

enforcement actions.

Recommendation: The annual reporting requirements must be completed/submitted to the

USDA.

IV. FOLLOW-UP TO PRIOR YEAR FINDINGS AND RECOMMENDATIONS:

The prior auditor comments were concerning:

- A) Lack of general ledger/inadequate bookkeeping procedures.
- B) Inappropriate loans between funds.
- C) Unreconciled special assessment receivable records.
- D) Problems with budget.
- E) Sewer debt financing problems.
- F) No investment policy.
- G) Inappropriate loan from Street Fund to Sewer Fund.

We found that there was no improvement in any of the above areas. The Village is continuing to have difficulties paying for its sewer system. It appears additional financing must be found as soon as possible.